

- **Retails sales in BC were up 2.1% in March**
- **Only 36% of unemployed workers in BC receive Employment Insurance benefits**
- **Farm cash income in BC was up 22% last year, as BC farmers escape the agricultural downturn**

## The Economy

- **Retail sales in British Columbia rose 2.1% (seasonally adjusted) in March.** This is the second month of significant increases after four months of flat retail sales.

*Data Source: Statistics Canada & BC Stats*

- **Nationally, retail sales edged up 1.2% (seasonally adjusted) in March.** Strongest growth was in Quebec (+2.5%) and the Maritimes (2.2%). The only province to show a drop in the retail market was Manitoba (-0.7%).

*Data Source: Statistics Canada*

- **For the first quarter of 2004, retail sales in BC were up 3.0% (seasonally adjusted), after zero growth in the last quarter of 2003.** Motor vehicle dealerships have been the main force behind retail sales.

*Data Source: Statistics Canada & BC Stats*

- **In the wholesale market—the trade of goods between businesses—sales were also brisk.** Wholesale trade was up 2.9% (seasonally adjusted) in March. Lumber and building materials, as well as motor vehicles, were the main sources of sales growth. Sales of Computers and electronic machinery, in contrast, dropped substantially.

Nationally, wholesale trade rose 4.6%, led by strong growth in Ontario (+5.1%) and Quebec (+5.7%). Almost all provinces had stronger wholesale sales than BC.

*Data Source: Statistics Canada & BC Stats*

- **The average weekly earnings of BC's workforce rose 0.7% (seasonally adjusted) in March.** Across the country, wages were up 0.4%, slightly below the increase seen in BC.

## Employment Insurance

- **There were 61,900 people receiving regular Employment Insurance (EI) benefits in March, down slightly (-0.2% seasonally adjusted) from the month before.**

Only about one-third (36%) of unemployed workers in BC received regular EI benefits in March. The lowest proportion of unemployed workers receiving EI was in Ontario, at 29%. In the Maritimes, 77% of the unemployed were receiving EI.

*Data Source: Statistics Canada*

- **There has been a substantial rollback in EI coverage over the last 15 years.** From the mid-1970s until the end of the 1980s, EI coverage—the share of unemployed workers that receive benefits—was fairly stable. Over 1976-1990, beneficiaries represented 71% of unemployed workers in BC (77% in Canada).

Beginning in 1991, the coverage rate declined without interruption for nine consecutive years. This was a period in which the federal government introduced a series of program changes designed to restrict eligibility. Over the last four years, 2000-2003, the coverage rate has stabilized, with beneficiaries representing 37% of unemployed workers (44% for all of Canada). This is a drop in coverage of 34 percentage points.

*Data Source: Statistics Canada*

## Farm Income

- **British Columbia farmers were spared the economic downturn that battered the agricultural sector in the Prairies last year.** Net cash income of farms in BC rose 22% in 2003. In contrast, the Prairie provinces saw farm cash income plunge 67%. In the Maritimes, cash income dropped 38%, and in Ontario, income was down 20%. A US import ban on Canadian beef, following the emergence of a single case of

"mad cow" disease, devastated the cattle industry with a 67% drop in beef exports. Soaring costs for crop insurance and fertilizer, combined with lower prices for most grains and oil seeds, spread economic hardship far beyond the cattle industry.

Along with BC, Quebec also managed to post gains in cash income (+23%).

*Data Source: Statistics Canada*

### The Market for Stolen Cars

- **The black market for stolen cars has expanded considerably over the last 30 years, pointing to an increase in organized crime.**

Cars destined for the black market are usually either stripped for parts or exported overseas (particularly to Asia and Eastern Europe). Vehicle thefts to supply the black market tend to be highly organized operations.

Most stolen vehicles are simply used for "joy riding" and are almost always recovered by police. The number of stolen vehicles *not* recovered gives an estimate of cars destined for the black market.

Across Canada, roughly 20% of stolen cars are never recovered, suggesting a total black market of over 32,000 vehicles. This is a large increase from the early 1970s, when only 2% of stolen cars could not be recovered.

The Port of Vancouver is believed to be an important transit point for exporting stolen vehicles. However, Vancouver itself is not a major supplier of stolen cars. Only 9% of cars stolen in Vancouver in 2002 were not recovered. This suggests about 500 cars were sold on the black market.

In Victoria, only 5% of stolen cars were not recovered, the second lowest rate among Canadian cities. This represents about 25 vehicles.

The major source of black market cars in Canada is Montreal, where 44% of stolen cars—some 6,600 vehicles—go unrecovered.

*Data Source: SC, Catalogue no. 85-563-XIE*

### The Nation

- **Roughly 20% of the Canadian workforce was employed in a knowledge-based occupation in 2001.**

*Data Source: Statistics Canada*

- **Canada's current account surplus reached \$9.8 billion in the first quarter of 2004, it's highest level in three years.** This was largely due to a rising surplus on trade in goods. Goods exports were up \$4.0 billion, while goods imports showed minimal growth (+\$0.5 billion).

The current account records the country's economic transactions with the rest of the world, excluding capital flows. A surplus on the current account indicates that Canada is exporting more goods and services than it is importing, producing a net inflow of income.

*Data Source: Statistics Canada*

- **Canada's international trade in corporate takeovers has been a mixed experience over the last several years.** Between 1997 and 2002, Canadian firms launched successful takeovers of some 447 foreign companies, mostly American. At the same time, foreigners acquired 345 Canadian corporations. This leaves a balance in Canada's favour of just over 100 companies. However, foreigners on average took over much higher value companies than did Canadians. Canadian takeovers of foreign firms amounted to \$124 billion, while foreign acquisitions within Canada totalled \$144 billion—leaving a corporate takeover deficit of \$20 billion.

### Meals in Canada and the US

- **Canadians consume more fresh vegetables and fruits—as well as more tea—than Americans on average. But on just about every other major food item, Americans consume more.**

Americans drink a lot more soft drinks (63% more) than Canadians. They also eat more beef (+33%), chicken (+23%), cheese (+14%) and eggs (+32%) than the average Canadian.

However, these figures include food losses, such as spoilage and restaurant waste. So it is possible that Americans, rather than eating more, simply waste more food than Canadians.

*Data Source: SC, Catalogue no. 21-020-XIE*

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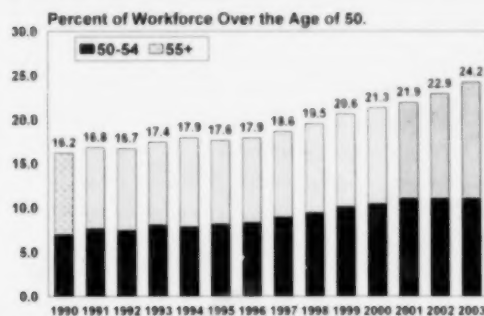
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## The Impact of Upcoming Retirements on the BC Labour Supply

With "baby'-boomers" reaching middle age, most developed countries are dealing with a large component of their population moving out of the workforce and into retirement. BC also faces this dilemma and is at risk of labour shortages in the near future.

*In recent history, approximately one in six members of the workforce were approaching retirement. That proportion has recently climbed to one in four*



The chart above shows that 24 per cent of the workforce today is over the age of 49. If current retirement trends continue, a very large proportion of that 24 per cent will retire within the next ten years, as well as a substantial number of the 45-49 year olds. Alongside this trend of an increasing older workforce, the number of young flowing into the workplace is declining, so that today the under 30 group is about the same size as the over 49 group.

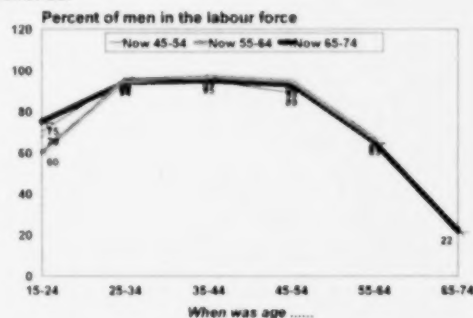
This article will examine what the next 10 to 20 years could bring in terms of labour supply; whether shortages are likely and if so, what our options are to alleviate the shortages.

### Recent History of Labour Market Activity of the BC Population

In order to project what is in store for the labour supply in BC over the next 10 to 20 years, it is necessary to look at the historical participation of men and women in the workforce by age group. From that we will attempt to predict the future labour market behaviour of the younger generations.

The chart below shows the labour market participation of three age cohorts of men who are 10 years apart, specifically those who were age 45-54, 55-64 and 65-74 in 2001. The workforce pattern of these men over their lifetime can be simulated by looking at the 1951, 1961, etc. censuses up to 2001, to see what each 10 year age cohort were doing every 10 years of their working life. The chart shows that 10 years difference in age really had no differential impact on the life-time labour market behaviour of men who are now in their middle age.

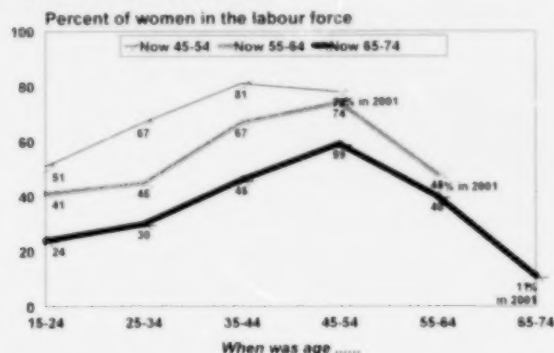
*Three different 10 year cohorts of middle aged men show virtually no difference in their lifetime labour market behaviour*



Only the young age group, age 15-24, shows any differences between generations. This finding is consistent with the known sensitivity of this age group to economic conditions—often they will choose school over work when good jobs are hard to come by. Despite this slight

variation among the young, it is reasonable to assume the age specific workforce participation of men, as it stands today, will be a good predictor of future workforce behaviour of the generations that follow.

*However, among women now in their middle age, 10 years age difference created very different lifetime labour market behaviour. These generational differences are slowly being eroded so that 2001 saw converging patterns between cohorts of women 10 years apart.*



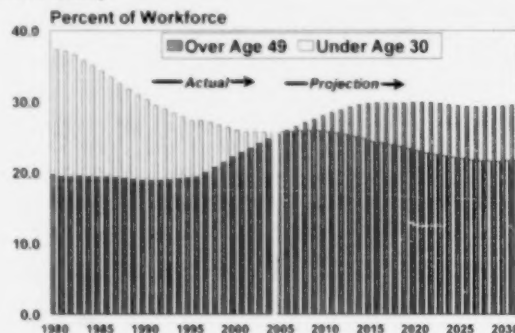
On the other hand, women now in their middle age who were born 10 years apart have shown huge variations in their lifetime patterns of workforce attachment. Those now age 65-74, lived through the era of starting their families early and being "stay-at-home-mums". The chart shows that when they were 25-34, less than one in three were working. Yet, among those 10 years younger, one-half were in the workforce at that same period of their lives and those 10 years younger again, two out of three were working. (Currently, 4 of every 5 women age 25-34 participate in the workforce.) This large discrepancy between these ten-year age cohorts in their behaviour when they were 25-34, carried on throughout most of their working lives. The older generation attained their most active workforce participation when they were 45-54 but it still only reached 59 per cent.

The interesting thing from this chart on women is how in 2001 there are now indications that the labour market behaviour of these diverse generations has begun to converge. There was only a difference of 4 percentage points between the 55-64 year olds compared

to those 10 years younger when they were both age 45-54. By 1993 that gap has all but vanished. Similarly, what was an 8 percentage point gap among those 10 years older has been reduced to a 5 point difference currently. So it appears as though the impact of very different social norms for different age cohorts of women in the early years of their lives has finally worked its way through the system. In the future, workforce profiles of different generations of women will likely be quite similar to one another as they currently are between different generations of men. This is the assumption used to project the age structure of the BC workforce as shown in the following chart.

## Projection of the Age Structure of the BC workforce: The Impending Labour Shortage

*The long term time trend shows how unusual the current age mix of the workforce is: the ready-to-retire are projected to overtake young employees within the next two years and will continue to do so well into the 21st century.*



If women and men continue to participate in the workforce as they did in 2003, the per cent of the workforce approaching retirement will increase up to 2016 at which point it will reach 30 per cent. This means close to one in every three members of the labour force will be on the verge of retirement.

High retirement rates do not necessarily translate into labour shortages. However, alongside the increasing number of retirees, the number of younger potential workers, those under 30, will be trending downwards. From 2006 on, it is probable that the flow-out of retirees will

surpass the flow-in of young replacement workers. This will be the first time this has occurred since 1971 when good labour market data was first collected. And if the status quo remains as is, this imbalance will continue for many years into the future.

Three factors could change this projection of labour shortage.

- One would be an increase flow in of young workers. If there is a labour shortage, the natural labour market mechanism of more job openings and increased wages will encourage more young to participate in the workforce. However, such a result could be to the detriment of their education.
- Another is to increase the in-flow of workers from other provinces and/or other countries to fill the vacancies. This traditionally has been a very viable option for BC to meet its labour needs because of the province's comparative advantage in lifestyle to much of the rest of Canada. However, Canada and other developed countries will also be facing labour shortages, meaning competition for new workers could be intense. Skilled immigrants from the developing nations could provide relief. Before that can happen the federal government will have to ensure that qualified immigrants are able to practise their skills in Canada.
- The third factor could be an increase in the age that people retire. Given the current and projected size of the "nearing retirement" workforce, a conservative estimate of the impact of potential retirees postponing their retirement is an increase in the size of the labour force by 2 to 3 per cent for each additional year worked. The shortfall of the young workers coming on-stream compared to the retirees leaving is projected to be up to 8 per cent of the workforce. Thus a one year increase in the average age of retirement would go a long way in reducing that gap.

Since 1976, Canadian men and women have shown a fairly continuous trend to younger and younger retirement. In 1998 that decline bottomed out and currently shows signs of heading back up for women.

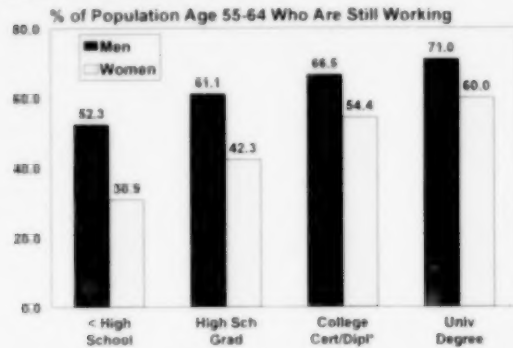


Keeping potential retirees in the workforce for longer than they normally would work is a viable option to address future labour shortages. The chart above shows how the average retirement age in Canada has been dropping at a steady rate since the mid-seventies, partially due to increased coverage of social security programs and partly because of increased wealth. In 1998/99, the average age for retirement in Canada was 61, the youngest it had ever been. Since then it has been creeping back up primarily as the result of the sharp decline in the stock market in 2001/02. Between 1999 and 2003, the average age of retirement increased by more than 8 months. As well, there is much leeway to increase that age further—the average age of retirement in the 1970s was more than 3 years older than it is today.

What could bring about an increase in the average age of retirement? As can be seen from the increase in the age of retirement since the reduction in stock market wealth, economic incentive is a strong motivator to discourage employees from retiring. Similarly, the next chart shows how the higher the level of education and hence the higher the salary, the longer employees keep on working.




*The more educated the individual, the less likely they are to take early retirement.*



Employers who face labour recruitment problems may start offering higher salaries, more flexible work arrangements and increased pension benefits for those who agree to stay longer. And of course there is the option for the government to step in and make changes to the structure of CPP to encourage workers to postpone retirement.

It will be interesting to monitor the average age of retirement over the next decade to see how the labour market adjusts to alleviate labour shortages.

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## BC at a glance . . .

<b>POPULATION (thousands)</b>		% change on
	Jan 1/04	one year ago
BC	4,168.1	1.0
Canada	31,752.8	0.9
<b>GDP and INCOME</b>		% change on
(BC - at market prices)	2003	one year ago
Gross Domestic Product (GDP) (\$ millions)	142,418	5.1
GDP (\$ 1997 millions)	130,914	2.2
GDP (\$ 1997 per Capita)	31,572	1.4
Personal Disposable Income (\$ 1997 per Capita)	19,495	-0.4
<b>TRADE (\$ millions, seasonally adjusted)</b>		% change on
		prev. month
Manufacturing Shipments - Mar	3,329	4.6
Merchandise Exports - Mar	2,470	0.5
Retail Sales - Mar	3,613	2.1
<b>CONSUMER PRICE INDEX</b>		12-month avg
(all items - 1992=100)	Apr '04	% change
BC	122.4	1.6
Canada	123.9	1.8
<b>LABOUR FORCE (thousands)</b>		% change on
(seasonally adjusted)	Apr '04	prev. month
Labour Force - BC	2,209	-0.3
Employed - BC	2,038	-0.2
Unemployed - BC	171	-1.6
		Mar '04
Unemployment Rate - BC (percent)	7.7	7.9
Unemployment Rate - Canada (percent)	7.3	7.5
<b>INTEREST RATES (percent)</b>		May 28/03
	May 26/04	
Prime Business Rate	3.75	5.00
Conventional Mortgages - 1 year	4.55	5.05
- 5 year	6.50	6.15
<b>US/CANADA EXCHANGE RATE</b>		May 28/03
	May 26/04	
(avg. noon spot rate) Cdn \$	1.3704	1.3866
US \$ (reciprocal of the closing rate)	0.7297	0.7218
<b>AVERAGE WEEKLY WAGE RATE</b>		% change on
(industrial aggregate - dollars)	Apr '04	one year ago
BC	675.17	-0.8
Canada	681.16	3.2

### SOURCES:

Population, Gross Domestic Product, Trade, } Statistics  
 Prices, Labour Force, Wage Rate } Canada  
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics  
 For latest Weekly Financial Statistics see: [www.bankofcanada.ca](http://www.bankofcanada.ca)

### Released this week by BC STATS

- Business Indicators, May 2004
- Current Statistics, May 2004
- Earnings & Employment Trends, Mar/Apr 2004

### Next week

- Tourism Sector Monitor, May 2004

